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FLORIDA II-A, LLC
FINANCIAL STATEMENTS
For the year ended December 31, 2006
with
Report of Independent Auditors

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

9/24/08



**NOVOGRADAC
& COMPANY LLP**

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Members of
Florida II-A, LLC:

We have audited the accompanying balance sheet of Florida II-A, LLC as of December 31, 2006 and the related statements of operations, changes in members' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida II-A, LLC as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Novogradac & Company LLP

July 18, 2007

FLORIDA II-A, LLC
BALANCE SHEET
December 31, 2006

ASSETS

Cash and cash equivalents	\$ 923,454
Prepaid ground lease	<u>40,642</u>
Total assets	<u>\$ 964,096</u>

LIABILITIES AND MEMBERS' DEFICIT

Liabilities	
Accounts payable	\$ 761,448
Contractor payable	748,697
Due to related parties	<u>2,955,689</u>
Total liabilities	4,465,834
Members' deficit	<u>(3,501,738)</u>
Total liabilities and members' deficit	<u>\$ 964,096</u>

see accompanying notes

FLORIDA II-A, LLC
STATEMENT OF OPERATIONS
For the year ended December 31, 2006

OPERATING EXPENSES	
General and administrative	\$ 472
Legal and other professional fees	<u>36,176</u>
Total operating expenses	<u>36,648</u>
OTHER INCOME AND (EXPENSES)	
Interest income	251,826
Interest expense	(521,911)
Amortization	(131,894)
Gain on extinguishment of debt	7,257,803
Other partnership expenses	(32,205)
Loss contingency	<u>(634,500)</u>
Total other income and (expenses)	<u>6,189,119</u>
Net income	<u><u>\$ 6,152,471</u></u>

see accompanying notes

FLORIDA II-A, LLC
STATEMENT OF CHANGES IN MEMBERS' DEFICIT
For the year ended December 31, 2006

	Managing Member	Investor Members	Total Members' Deficit
BALANCE, JANUARY 1, 2006	\$ (1,028)	\$ (9,653,181)	\$ (9,654,209)
Capital contributions	625,000	(625,000)	-
Repurchase of investor member's interest	(10,278,281)	10,278,181	-
Net income	<u>6,152,471</u>	<u>-</u>	<u>6,152,471</u>
BALANCE, DECEMBER 31, 2006	<u>\$ (3,501,838)</u>	<u>\$ -</u>	<u>\$ (3,501,738)</u>

see accompanying notes

FLORIDA II-A, LLC
STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 6,152,471
Adjustments to reconcile net income to net cash used in operating activities:	
Amortization	131,894
Gain on extinguishment of debt	(7,257,803)
Decrease in prepaid ground lease	472
Increase in accounts payable	7,028
Increase in accrued interest	521,912
Net cash used in operating activities	<u>(444,026)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in accounts payable	634,500
Decrease in contractor payable	(947,943)
Net cash provided by (used in) investing activities	<u>(313,443)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in restricted cash	1,800,485
Decrease in due to related parties	(148,229)
Decrease in construction loan payable	(225,695)
Net cash provided by financing activities	<u>1,426,561</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 669,092

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 254,362

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 923,454

SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INVESTING AND FINANCING ACTIVITIES

Decrease in restricted cash due to gain on extinguishment of debt	<u><u>\$ 13,929,866</u></u>
Decrease in intangible assets, net of accumulated amortization, due to gain on extinguishment of debt	<u><u>\$ 803,314</u></u>
Decrease in accrued interest due to gain on extinguishment of debt	<u><u>\$ 1,114,533</u></u>
Decrease in construction mortgage note due to gain on extinguishment of debt	<u><u>\$ 20,876,450</u></u>

FLORIDA II-A, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

1. General

Florida II-A, LLC (the "Company"), a Louisiana limited liability company, was formed in March 2004 to construct, develop, and operate a 168-unit apartment project, known as Florida II-A Apartments (the "Project"), in New Orleans, Louisiana. The Project is intended to be rented to low-income tenants and to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code.

The managing member is Lune d'Or Enterprises, LLC (the "Managing Member"). As of January 1, 2006, the limited members (the "Limited Members") were MMA Special L.P., Inc. (the "Special Limited Member"), and MMA Florida II-A, LLC (the "Investment Limited Member"). According to Article III, Term and Dissolution, the Company will operate until December 31, 2104, or until its earlier dissolution or termination.

On January 3, 2006, the Investment Limited Member, under terms within the Operating Agreement, initiated a repurchase by the Managing Member of its interest.

The Managing Member repurchased the Investment Limited Member in January 2006, accordingly, all profits and losses from operations and low income housing tax credits shall be allocated to the Managing Member.

Pursuant to the Operating Agreement, the Investment Limited Member was required to provide capital contributions to the Company totaling \$9,514,000. However, during the year, the Managing Member repurchased the Investment Limited Member's interest. As of December 31, 2006, the Managing Member has not identified a replacement investment limited member to provide capital contributions pursuant to the Operating Agreement. As of December 31, 2006, the Managing Member has provided capital contributions, through the repurchase of the Investment Limited Member's interest, for \$625,000.

During August of 2005, the Project suffered damages from Hurricane Katrina that resulted in a total loss of the Project. The Company has since ceased all construction activities and is in the process of considering options with regards to the future of the Project. As of the date of this report, the Company is uncertain whether the Project will proceed with additional financing and resources.

FLORIDA II-A, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at date of acquisition. Restricted cash is not considered cash equivalents.

Concentration of credit risk

The Company places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institutions' federally insured limits. The Company has not experienced any losses in such accounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

The Company plans to operate one property to be located in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Intangible assets

Intangible assets included bond issuance costs and construction loan fees in the original amount of \$1,134,205. Bond issuance costs were amortized over the life of the bonds and construction loan fees were amortized over the life of the construction loan. During November 2006, the Bonds were redeemed. At that time, bond issuance costs and construction loan fees, net of accumulated amortization, of \$803,314 were written off against the gain on the extinguishment of debt. Amortization expense for 2006 was \$131,894.

FLORIDA II-A, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

3. Restricted cash

Pursuant to the construction mortgage note agreement between the Company and the Housing Authority of New Orleans ("HANO"), HANO established a cash collateral account which was used to deposit the proceeds of the construction mortgage note. The deposits were treated as restricted cash to be used for the construction of the Project. During November 2006, the Company allocated all remaining restricted cash to redemption of the bonds. At the time of redemption, the amount of restricted cash recorded on the balance sheet, and used for the redemption, was \$13,929,866. As of December 31, 2006, no restricted cash remained on the accompanying balance sheet.

4. Contractor payable

The Company entered into a construction contract with Greystar Development & Construction for a total value of \$18,581,600. As of December 31, 2006, retainage payable of \$748,697 had not been released and is included in "Contractor payable" in the accompanying balance sheet.

5. Related party transactions

Due to related party

During the year ended December 31, 2005, the Company incurred costs due to Crescent Affordable Housing Corporation ("CAHC"), a related party of the Managing Member. The advances related to miscellaneous costs associated with the construction of the Project. As of December 31, 2006, advances totaling \$129,390 were outstanding and are included in the "Due to related parties" in the accompanying balance sheet.

As of December 31, 2006, the Company had recorded a payable due to HANO, a related party of the Managing Member, for the difference between the construction loan payable issued by HANO and actual funds received by the Company. As of December 31, 2006, the payable due to HANO was \$1,478,488 and is included in "Due to related parties" in the accompanying balance sheet.

As of December 31, 2006, the Company owed pre-development expenses to HANO, a related party of the Managing Member. The expenses are related to the Project and were incurred by HANO prior to the formation of the Company. As of December 31, 2006, pre-development expenses of \$999,976 were outstanding and are included in "Due to related parties" in the accompanying balance sheet.

FLORIDA II-A, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

5. Related party transactions (continued)

Administrative services fee payable

During the year ended December 31, 2005, the Housing Authority of New Orleans, a related party of the Managing Member, earned an administrative services fee of \$620,607 for providing assistance in the coordination of intergovernmental participation for the Project, and for performing other reasonable services requested by the Company to complete the transactions contemplated by the Administrative Services Agreement. As of December 31, 2006, administrative services fee payable of \$110,090 was outstanding and included in "Due to related parties" in the accompanying balance sheet.

Program income loan

During the year ended December 31, 2005, the Company entered into the HANO Program Income Construction Mortgage Note with HANO. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Project. As of December 31, 2006, the HANO Program Income Construction Mortgage Note outstanding was \$187,345 and included in "Due to related parties" in the accompanying balance sheet.

Company management fee

During the year ended December 31, 2006, the Company owed costs due to the Managing Member for its services in connection with the day-to-day administration of the business affairs of the Company. The amount is equal to \$25,200 per annum and as of December 31, 2006, \$50,400 is included in "Due to related parties" in the accompanying balance sheet.

6. Construction mortgage note

In December 2003, HANO, with The Industrial Development Board of the City of New Orleans Louisiana, Inc. as a secured party, obtained Capital Fund Program Revenue Bonds ("the Bonds"), for the construction and development of the Project and payment of bond redemption. The amount of bonds allocated to the Project was \$20,876,450. In January 2004, the Company entered into a Construction Mortgage Note ("the Note") with HANO. The Note was funded using bond proceeds received by HANO and bore interest annually at 3% and was originally collateralized by the Project. The entire amount of unpaid principal and interest was originally due and payable on August 1, 2007.

During November 2006, the bonds were redeemed and, as a result, the remaining unpaid balance of the Note, along with accrued interest, was forgiven. At the time of redemption, a construction mortgage note of \$20,876,450 and accrued interest of \$1,114,533 were outstanding. As a result of the bond redemption and subsequent forgiveness of debt the Company recognized a gain of \$7,257,803, which is included in "Gain on extinguishment of debt" in the accompanying statement of operations.

FLORIDA II-A, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

7. Ground Lease

On December 30, 2003, the Company entered into an 89-year Ground Lease (the "Ground Lease") with HANO. The Company is bound by the responsibilities and obligations of the Ground Lease. Under the Ground Lease, the Company is required to pay an annual rent of \$5,000. In consideration of a \$41,979 lump sum payment from the Company on January 20, 2005, the payment obligations have been fully satisfied and discharged. During the year ended December 31, 2006, ground lease expense was \$472. As of December 31, 2006, the prepaid ground lease was \$40,642 and is included in "Prepaid ground lease" in the accompanying balance sheet.

8. Loss Contingency

In January 2006, the Company terminated the construction contract with Greystar Development and Construction, L.P. ("Greystar"). A claim for consideration for contract termination was submitted by Greystar in March 2006. Inability to reach agreement concerning the extent of the claim resulted in litigation being filed by Greystar in June 2006. As of the date of this report, a settlement agreement has been reached by the Company and Greystar. In consideration for release of all claims against the Company, a negotiated settlement of \$634,500 was reached on June 5, 2007, and a joint motion to dismiss, with prejudice and a signed order of dismissal were executed.